

Message Text

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ACTION EUR-12

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 7968

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E.O. 11652: N/A

TAGS: ETRD, EIND, CA, US

SUBJECT: U.S.- CANADA AUTO INDUSTRY STUDY

REF: STATE 258149

1. EMBASSY HAS NO REPEAT NO REASON TO BELIEVE THAT GOC FOCUS HAS SHIFTED FROM STUDY OF PROSPECTS FOR THE NORTH AMERICAN AUTO INDUSTRY TO THE AUTO AGREEMENT PER SE, ALTHOUGHT IT IS CLEARLY NOT POSSIBLE TO ISOLATE COMPLETELY THE FUTURE OF THE INDUSTRY FROM THE 1965 PACT.

2. CANADIAN INTEREST IN COORDINATED STUDY OF INDUSTRY PROSPECTS REFLECTS GENUINE GOC CONCERN THAT THE INDUSTRY IN THE U.S. WILL UNDERGO RADICAL CHANGES IN THE RELATIVELY NEAR FUTURE AS A RESULT OF CHANGING U.S. CONSUMER TASTES AND LIFE STYLES BROUGHT ABOUT BY ENERGY AND ENVIRONMENTAL FACTORS. THE CANADIAN AUTO INDUSTRY, FOR OBVIOUS REASONS, CANNOT ESCAPE THESE INFLUENCES NOR WOULD IT NECESSARILY WISH TO DO SO. HOWEVER, THE GOC DOES WISH TO ENSURE THA THE DECISION-MAKING PROCESS TAKE CANADIAN INTERESTS INTOCONSIDERATION AND THAT CANADA, FOR EXAMPLE, WILL CONTINUE TO RECEIVE THE KIND AND VOLUME OF AUTOMOTIVE INVESTMENT WHICH WILL ENABLE IT TO MAINTAIN AND/OR ACHIEVE AN APPROPRIATE SHARE OF THE NORTH AMERICAN MARKET.

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3. REGARDING THE AUTO AGREEMENT, THE GOC IS, OF COURSE, ANXIOUS ABOUT THE SIZE OF THE CONTINUING U.S. SURPLUS BUT HAS BEEN REMARKABLY MUTED IN ITS PUBLIC PRONOUNCEMENTS DESPITE NUMEROUS CRITICAL STATEMENTS BY OPPOSITION NDP MPS AND THE AUTO PARTS MANUFACTURERS ASSOCIATION. THE ASSOCIATION FOR THE PAST YEAR HAS BEEN ESPOUSING THE CAUSE OF ITS SMALLER INDEPENDENT MEMBERS WHO FIND IT CONVENIENT TO CITE THE LARGE CANADIAN TRADE DEFICIT IN PARTS AND TO BLAME THE AUTO PACT FOR THIS FACT AND FOR THEIR PERCEIVED ECONOMIC MALAISE. EMBASSY HAS IMPRESSION SOME GOC OFFICIALS SEE BILATERAL STUDY EXERCISE AS WAY TO DEFUSE THESE PRESSURES, AT LEAST TO SOME EXTENT.

4. IN EMBASSY'S VIEW, GOC DOES NOT INTEND AT THIS JUNCTURE TO SEEK RENEGOTIATION OF THE AUTO PACT, PARTICULARLY IN VIEW OF SIGNS THAT THE U.S. MARKET IS ADJUSTING TO NEW CIRCUMSTANCES AND MAY BE ON ITS WAY TO ECONOMIC RECOVERY IN WHICH CANADA HOPES TO PARTICIPATE FULLY.

PORTER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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